

# **IKAF CIA-P2 Financial Management Syllabus and Study Guide**

*CIA Certified Internal Auditor in Private and Public Sector Qualification  
(Based on IIA Certifications)*

This syllabus and study guide is designed to assist in teaching and learning, also is intended to provide detailed information on the qualification, module and study guide.

## **Qualification Structure**

It explains the content of Certified Internal Audit Qualification level, which also includes the Financial Management Module. Explains the connection of this module to other levels and modules of qualification; modules included at the specified level as well as membership criteria; as well as the characteristics of lectures that are held during the certification period. Modules and Qualifications are also presented through diagrams.

## **Module**

It explains briefly the reasoning of the module's importance, the general and detailed objectives of the module and, also shows in the widest sense the skills that will be developed during the study of the module. The relation of the module to the other modules is presented through a diagram representing the links between them; in order to be as clear as possible for the reader. Also, topics that belong to the module are described; also, how the module's topics and subthemes are planned. Moreover, the form of examination and evaluation is explained in detail, what the exam will consider and why. In the end, the module's content is attached.

## **Syllabus Structure**

It explains the syllabus content of the module Financial Management, part of the Certified Internal Audit Qualification Level. This module contains the main reasoning, aim, and capabilities expected to get learned during the course of the study. In addition, the syllabus includes the topics of the modules, the structure of the examination after the successful completion of the module as well as reading and scheduling the time.

## **Study Guide**

This is the main document that students, education and content providers should use as the basis of their studies, instruction and materials. Examinations will be based on the detail of the study guide which comprehensively identifies what could be assessed in any examination session. The study guide is a precise reflection and breakdown of the syllabus. It is divided into sections based on the main capabilities identified in the syllabus. These sections are divided into subject areas which relate to the sub-capabilities included in the detailed syllabus. Subject areas are broken down into sub-headings which describe the detailed outcomes that could be assessed in examinations

# QUALIFICATION STRUCTURE

*CIA Certified Internal Auditor in Private and Public Sector Qualification  
(Based on IIA Certifications)*

Unlike any other available qualification a Certified Internal Auditor is committed to serving in the public interest and to all those who rely upon the assurance that internal auditors provides. Certification at the Internal Auditor level is the best way to become a professional, fully qualified internal auditor able to make a significant contribution to the success of an organization at the highest possible level by being a trusted team advisor with a senior team in the company. The title as Internal Auditor receives those who have completed our professional qualifications and who have demonstrated the influence and leadership in their role as an internal auditor.

IKAF Certification is the primary professional qualification for practicing the profession of internal auditor in various sectors, carrying out activities such as: risk management, control and governance, strongly rooted in the contextual practice in which internal audit operates. Unlike any other available qualification, it is specifically designed to meet the needs of internal audit and is a benchmark for the profession, based on internationally accepted standards.

Certified Internal Auditors should demonstrate knowledge of Financial Management Module.

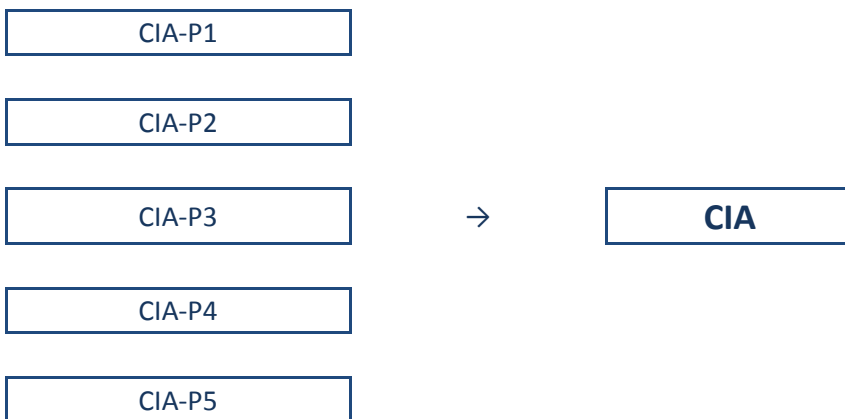


Diagram.1: Certified Internal Audit Qualification relations with other modules and certified qualifications

## Modules

CIA Certified Internal Auditor Qualification Level consists of five modules and is mandatory to pass all five in order to obtain the title:

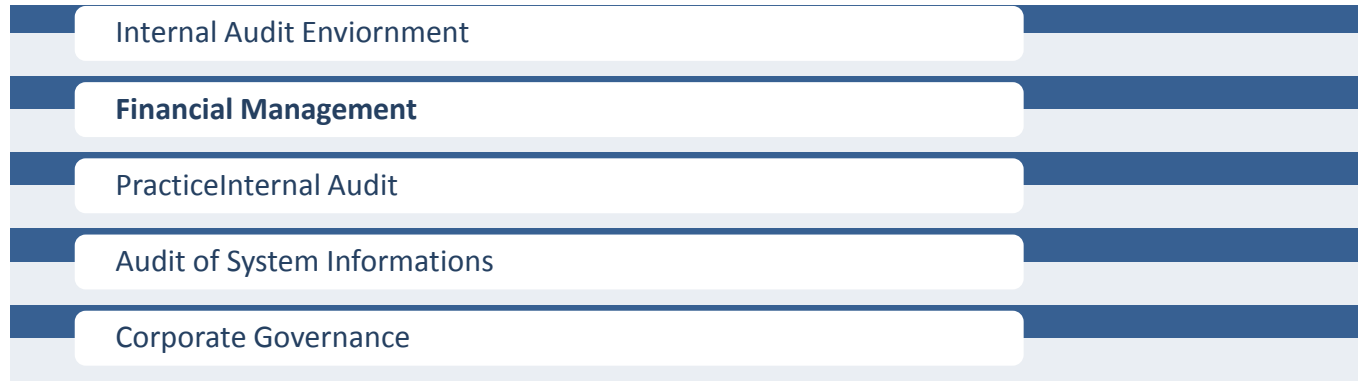


Diagram.2: CIA Certified Internal Audit Qualification Level Modules

## Qualification and Membership Criteria: Certified Internal Auditor

- University Degree;
- Proof for at least three (3) years of verified work experience in accounting - which can be acquired during or after the training;
- Have attended and passed five (5) certification exams for this purpose (Exam is passed if 50% of test points are reached) ;
- A person who has been certified in this qualification by IKAF and continues to have a regular membership status of the IKAF has the right to use the title "Certified Accountant" by fulfilling all of the above criteria;
- Regular members of the IKAF to use the title "Certified Accountant" are required to attend Continuing Professional Development (CPD) as defined in the IKAF Regulation.

## Training Features:

- A comprehensive review of modules and during the training, participants will be provided with case studies, exercises similar to those given in the IIA exams, and mock exam.
- Trainers are holding professional qualifications, and well experience in their field
- IIA's materials shall be used in the training
- Upon completion of this course, participants will be able to take the exams of modules at IKAF center.

# **SYLLABUS STRUCTURE**

## **Rationale**

This is a narrative explaining how the syllabus is structured and how the main capabilities are linked. The rationale also explains in further detail what the examination intends to assess and why.

## **Relational diagram linking modules**

This diagram shows direct and indirect links between this exam and other exams preceding or following it. It indicates where you are expected to have underpinning knowledge and where it would be useful to review previous learning before undertaking study.

## **Overall Aim**

This explains briefly the overall objective of the syllabus and indicates in the broadest sense the capabilities to be developed within the exam.

## **Main Capabilities**

The aim of the syllabus is broken down into several main capabilities which divide the syllabus and study guide into discrete sections.

## **Topics**

Certain topics that module contains and that will be treated during tuitions.

## **Examining Structure**

This section briefly explains the structure of the examination and how it is assessed.

## **Annex: Detailed Syllabus**

This shows the breakdown of the main capabilities (sections) of the syllabus into subject areas. This is the blueprint for the detailed study guide.

## MODULE

This syllabus and study guide is designed to help with study planning and to provide detailed information on what could be assessed in any examination session.

### Rationale

Module P2 covers Financial Management and the main topics of this module are Financial Accounting, Financial Reporting and Management Accounting.



**Financial  
Management**

Diagram.1: Module

Financial Accounting is based on International Accounting Standards (IAS) and International Standards of Financial Reporting (IFRS). Fundamental Financial Accounting Concepts and Principles, Financial Accounting of Assets, Liabilities and Equity, Assets, Obligations, Equity. Other covered topics are the Financial Statement Analysis, Report Analysis, Debt and Equity Types, Capital Structure, Risk Management, Long-Term Investments, Business Combinations, Consolidation of Financial Statements, etc.

Management accounting differs from financial accounting because management accounting is designed and is intended to be used internally by company executives instead of shareholders, creditors, financial analysts, and other external users. This section discusses the basic principles of managerial accounting that internal auditors need to be familiar with when they evaluate the company's managerial function. The main topics in this section are: Cost Concepts and Systems, Capital Budgeting, Operating Budgeting, Price Transfer, Relevant Costs, Cost-Volume-Pricing Analysis (CVP), Accountability Centers and Accountability Accounting.

### Aim

Outline and understand the topics of financial management as: Financial Accounting, Financial Reporting and Management Accounting. Financial Management and Financial Reporting are based on International Accounting Standards and International Financial Reporting Standards. While, management accounting discusses the underlying principles which internal auditors must have recognized, while they evaluate the company's management function.

### Main capabilities

- Addressing basic principles and basic accounting concepts for standards, such as relevance, reliability, maturity, and so on.
- Understanding the components as assets, liabilities and equity.

- Analysis of financial statements
- Understanding the various types that companies use to finance, primarily through loans or issuing shares
- Discuss issues as the optimal capital structure and capital cost estimate.
- Long-term Investments: Business Combinations and Consolidated Financial Statements
- Rents and employee benefits, accounting changes, accounting for external operations, financial instruments and tax schemes.
- Familiarizing with the different types of expenditures and their calcification; determining the cost of production or service;
- Capital budgeting methods for analyzing potential investment projects
- Understanding the budget process and the way in which different budgets are prepared and counted
- Meaning of price transfer from a territorial and numerical point of view
- Classify relevant and irrelevant costs for making good spending decisions
- Cost-Volume-Price Analysis (CVP)
- Responsibility Centers and Accountability Accounting

## Topics

Major topics of Financial Management Module that will be covered during the training:

Financial Accounting Concepts and Principles
Financial Statements
Revenue Recognition
Financial Accounting of Assets
Receivables
Inventory
Property, Plant and Equipment
Intangible Assets
Financial Accounting of Liabilities and Equity
Non-current liabilities
Bonds
Equity
Financial Statement Analysis
Types of Debt and Equity
Capital Structure
Capital Structure Decisions
Long term investments in Shares
Business combinations
Combinations
Consolidation of Financial Statements
Other Special Topics of Financial Accounting

Diagram.2: Topics of Internal Audit Environment Module that will be covered during the training

## **Examination Structure**

The syllabus is assessed by a two-hour examination available in paper-based format. \* All questions are compulsory. Some questions will adopt a scenario/case study approach. Candidates are provided with a formulae sheet.

## **Reading and Time Planning**

For paper-based exams 15 minutes are added to the two hours to reflect the manual effort required. The total exam time is therefore two hours and 15 minutes. Prior to the start of the exam candidates are given an extra 10 minutes to read the exam instructions.

The pass mark for all IKAF Qualification examinations is 50%.

**Annex: Detailed Syllabus**

# Detailed Syllabus

## Module P2 - Financial Management

### Concepts and Principles of Financial Accounting

- Concepts and Fundamental Principles of Financial Accounting
- International Accounting Standards Committee
- Accounting Information Objectives
- Qualitative Characteristics of Accounting Information
- Elements in the Financial Statements
- Recognizing the Elements of Financial Statements
- Attributes of Measurement of Assets and Liabilities (Assets and Liabilities)
- Akrua Accounting
- Accounting cycle

### Financial statements

- Balance Sheet (Statement of Financial Position)
- Statement of Income
- Cost of Goods Sold
- Expenditure Classification
- Statement of Changes in Equity
- Cash flow statement (SLAS 7)
- Notes to the Financial Statements

### Revenue recognition (IAS 18)

- Recognizing Revenue from Selling Goods

- Recognition of Income from Construction Contracts (IAS 11)
- Method for Recognizing Profit
- The Cost Recognition Method for Profit Recognition
- Interim Financial Reporting (IAS 34)

### Financial Asset Accounting

- Cash Management
- Cycle Operative
- Cash Budget

### Treasury Trading Management Receivables (IAS 39) Inventories (IAS 2)

- Lower Cost or Net realizable value
- Other Assessment Methods

### Land, Buildings, Machinery and Equipment (IAS 16)

- Measurement in Purchase depreciation
- Later Expenditures
- Revaluation and Depreciation of Land, Building, Machinery and Equipment (Long-term Property materials)

### Intangible assets (IAS 38)

- In-house generated non-material assets
- Research & Development
- Goodwill (Good Name)
- Amortization and Depreciation of Intangible Assets

### Financial Accounting of Liabilities and Equity



### **Short-term liabilities**

- Payable Accounts (A / P)
- Payable Receipts (N / A)
- Other Determinable Liabilities
- Valuable Obligations
- Premiums or Coupons
- Contingencies, Obligations and Contingent Assets (IAS 37)

### **Long-term liabilities**

- Long-Term Payable Receipts

### **Bonds**

- Bond Issuance - Sales Price Calculation
- Registering the Sale of Bonds in Books
- Depreciation of the Premium or Disbursement
- Linear Depreciation of Premium or Deduction of the Bond

### **Equity**

- Ordinary Actions
- Favorite Actions
- Rights of Shares
- Stock Warranties
- dividends
- Dividend Decisions
- Share Dividends and Sharing of Shares
- Treasury Shares
- Distributed Profits
- Financial Statement Analysis
- Liquidity Reports
- Asset Management Reports

- Leverage Reports (solvency)
- Profitability Reports
- Growth Reports
- Earnings per Share (IAS 33) Declined EPS
- Report Analysis Restrictions

### **Types of Debt and Equity**

- Short-term funding
- Interim Financing Long-term Financing
- Debt - Bonds

### **Capital Structure**

- Cost of Capital Models for Estimating Cost of Retained Earnings

### **Decisions on the Capital Structure**

- Capitalist Capital Cost Leva

### **Long-term Investments in Shares**

- Cost Method
- Equity Method
- Consolidated Method

### **Business Combinations**

- Different Types of Business Combinations
- Leverage Purchase (LBO) Evaluation and Combination Prices Accounting for Business Combinations (IFRS 3)
- Registration of Assets and Liabilities
- Equity Registration Consolidation of Financial Statements

### **Consolidation of Financial Statements (IAS 27)**

- Other Special Accounting Financial Issues

### **Leases (IAS 17)**

- Types of Rent
- Accounting for Financial Leases
- Accounting for Ordinary Rents (Operative)
- Leasing Accounts by the Lessor (Lessor)
- Sale and Rent Transactions

### **Employee Benefits (IAS 19)**

- Short Term Benefits
- Post-Employment Benefits

### **Accounting Policies, Changes in Accounting Estimates and Errors**

- Cost (Work Cost) Cost

### **Cost of Life Cycle**

- Joint Products
- Under products (By-products)
- Variable Cost and Absorption

### **Effects of Changing Inventory Levels**

- Presentation of Income Statement
- Capital budgeting
- Terms Used in Capital Budgeting
- Taxes
- Actual Value and Future Cash Value
- Identification and Calculation of Relevant Money Leaks
- Irrelevant Cash Flows (Cash Flows)

### **Methods of Capital Budgeting Assessment**

- Payback Method
- Discounted Cash Flow Metrics (Delivered)

### **Actual Net Value (NPV)**

- Internal Return Rate (IRR)
- Accounting Rate of Return
- Capital Budgeting Decisions
- Profitability Index (or Excess Value) Index
- Use of the Profitability Index Capital Rationing in Capital Budgeting

### **Budgeting Operations**

- Different Budgets
- Operational and Financial Budgets
- Flexible Budgeting
- Other types of budgets
- Budget Reports

### **Transfer Price**

- Relevant Costs

### **Marginal Analysis**

- Make-or-Take decisions
- Special Order Situations
- Decisions for Sale or for Further Processing
- Decisions for De-Investing Cost

### **Capacity-Profit Analysis (CVP)**

- Margin of Contribution
- Profitability Analysis (Breakeven)
- Contribution Margin Method
- Profit Claim
- The Specific Demand Dollar Winning Requirement
- Profit as a Sales Percentage
- Specific Dollar Amount of After-Tax Profit

- Percentage of Revenue Income as Net Income After-Tax

### **Profitability Analysis When Selling More Than One Product**

- Sales Volume Amiss
- Why the Sales Revenue
- The Effects of Changes in Sales Negligence

### **CVP and the Conditions of Risk and Uncertainty**

### **Responsibility and Accountability Centers**

### **Access to the Contribution Revenue Review**